Financial Statements 2005

NorthPoint

Energy Solutions Inc.

A Subsidiary of SaskPower

report of management

The financial statements of NorthPoint Energy Solutions Inc. (NorthPoint) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to January 27, 2006.

Management maintains appropriate systems of internal control which provide reasonable assurance that NorthPoint's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable, and accurate and that transactions are executed in accordance with management's authorization. This system includes corporate wide policies and procedures and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and to the Audit and Finance Committee of the Board of Directors.

The Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit and Finance Committee consists entirely of outside Directors. At regular meetings, the Committee reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements and the external auditors' report have been reviewed by the Audit and Finance Committee and have been approved by the Board of Directors. The internal and external auditors have full and open access to the Audit and Finance Committee, with and without the presence of management.

The financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of management,

Gary Wilkinson, P.Eng
Chief Executive Officer
January 27, 2006

Patricia Hall, CA
Chief Financial Officer

auditors' report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of financial position of NorthPoint Energy Solutions Inc. as at December 31, 2005, and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Regina, Saskatchewan
January 27, 2006

statement of income and retained earnings

(in thousands)

For the year ended December 31	2005	2004
Revenue		
Electricity revenue *(Note 3)*	**$ 45,691**	$ 30,933
SaskPower service revenue	**7,244**	6,606
Other	**574**	415
Total revenue	**53,509**	37,954
Expenses		
Electricity expenses	**36,386**	27,010
Administration expenses	**4,835**	4,067
Total expenses	**41,221**	31,077
Net income	**12,288**	6,877
Retained earnings, beginning of year	**1,980**	1,292
Dividends	**(11,060)**	(6,189)
Retained earnings, end of year	**$ 3,208**	$ 1,980

See accompanying notes

statement of financial position

(in thousands)

As at December 31	2005	2004
Assets		
Current assets		
Cash	**$ 16,478**	$ 17,976
Accounts receivable	**11,779**	4,493
Prepaid expenses & deposits	**3,241**	56
Due from SaskPower	**2,245**	1,359
Total assets	**$ 33,743**	$ 23,884
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 9,475**	$ 5,715
Dividend payable to SaskPower	**11,060**	6,189
Total liabilities	**20,535**	11,904
Equity		
Share capital *(Note 4)*	**10,000**	10,000
Retained earnings	**3,208**	1,980
Total equity	**13,208**	11,980
Total liabilities and equity	**$ 33,743**	$ 23,884

Commitments *(Note 8)*

See accompanying notes

On behalf of the Board:

Patricia A.G. Quaroni, LLB
Chair

Lyn Kristoff, FCA
Director

statement of cash flows

(in thousands)

For the year ended December 31	2005	2004
Operating activities		
Net income	**$ 12,288**	$ 6,877
Net change in non-cash working capital		
Accounts receivable	**(7,286)**	5,031
Prepaid expenses & deposits	**(3,185)**	(56)
Due from SaskPower	**(886)**	(7,024)
Accounts payable and accrued liabilities	**3,760**	1,939
	(7,597)	(110)
Cash provided by operating activities	**4,691**	6,767
Financing Activities		
Dividends paid	**(6,189)**	(5,702)
Cash used in financing activities	**(6,189)**	(5,702)
Increase (decrease) in cash	**(1,498)**	1,065
Cash, beginning of year	**17,976**	16,911
Cash, end of year	**$ 16,478**	$ 17,976
Supplemental information:		
Cash paid for capital tax	**$ 11**	$ 80

notes to the financial statements

As at December 31, 2005

1. Status of the Corporation

NorthPoint Energy Solutions Inc. (NorthPoint) was incorporated pursuant to *The Business Corporations Act (Saskatchewan)* effective October 17, 2001, and began operations November 1, 2001. NorthPoint is a wholly-owned subsidiary of Saskatchewan Power Corporation (SaskPower). Accordingly, the financial results of NorthPoint are included in the consolidated financial statements of SaskPower.

NorthPoint has a service agreement with SaskPower authorizing NorthPoint to perform electricity trading functions related to the generation assets of SaskPower and for co-ordinating utility generation output. In addition, effective January 1, 2005, NorthPoint assumed responsibility for management of SaskPower's natural gas supplies for its natural-gas fired power plants, and amended the service agreement with SaskPower. Service revenue from SaskPower provides approximately 14% (2004 – 17%) of total revenue of NorthPoint.

As a subsidiary of a provincial Crown corporation, NorthPoint is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

(a) Use of Estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results could differ from those estimates, which may impact actual results reported in future periods.

(b) Foreign Currency Translation

Revenue and expenditures resulting from transactions in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate in effect on the balance sheet date. Any resulting foreign currency translation gains and losses are included in the statement of income in the current period.

(c) Revenue Recognition

NorthPoint acts as a principal in wholesale electricity marketing transactions which do not relate to the generation assets of SaskPower. NorthPoint acts as a principal in these electricity marketing transactions, taking title to the electricity purchased for resale, and assuming the risks and rewards of ownership. Electricity marketing revenue is recorded on a gross basis as delivered. Electricity revenue not billed by month-end is accrued based upon estimated electricity delivered.

NorthPoint provides generation and load management services for SaskPower by co-ordinating the utility generation output. This revenue is recognized as it is earned and is included in SaskPower service revenue.

NorthPoint acts as an agent of SaskPower and is responsible for the performance of electricity trading functions related to the generation assets of SaskPower. NorthPoint receives commissions for the performance of this service. Revenue from electricity sales from SaskPower generation assets is not recorded on a gross basis, rather commission revenue is recognized as the electricity trades are conducted and is included in SaskPower service revenue.

NorthPoint provides gas management services for SaskPower by co-ordinating and balancing SaskPower's natural gas requirements, managing injections to and withdrawals from SaskPower's natural gas storage assets, and managing natural gas price risk with physical and financial hedging activity. NorthPoint acts as an agent of SaskPower and is responsible for the performance of gas purchasing functions related to the natural gas storage assets of SaskPower. Costs of gas purchases are not recorded by NorthPoint, as SaskPower continues to be responsible for all financial obligations relating to natural gas purchases and hedging activity. Gas management revenue is recognized as it is earned and is included in SaskPower service revenue.

(d) Employees' Future Benefits

NorthPoint provides pension plans for all eligible employees, including a defined contribution pension plan and a defined benefit pension plan. Under the defined contribution pension plan, NorthPoint's contributions are limited to contributions made for current service. When made, these contributions are charged to income. Defined benefit pension plan benefits are provided by SaskPower to eligible employees.

NorthPoint provides defined benefit and defined contribution severance plans for substantially all employees. NorthPoint's obligations are limited to making regular contributions to SaskPower in respect of severance plan benefits.

NorthPoint provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. NorthPoint's current period expense is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

3. Electricity Revenue by Geographic Location (in thousands)

	2005	2004
Canada	$ 32,445	$ 27,558
United States	13,246	3,375
Electricity revenue	$ 45,691	$ 30,933

Revenue is attributable to countries based on the location of counterparties.

4. Share Capital (in thousands)

	#	2005	2004
Authorized			
Unlimited Class A non-cumulative, voting common shares			
Issued			
Class A			
Issued and outstanding, beginning of year	**10,000**	**$ 10,000**	$ 10,000
Issued during the year for cash	**–**	**–**	–
Issued and outstanding, end of year	**10,000**	**$ 10,000**	$ 10,000

All shares are held by the parent corporation, SaskPower.

5. Employees' Future Benefits (in thousands)

NorthPoint contributed $334 (2004 - $269) to the plans described in *Note 2(d)*.

6. Related Party Transactions (in thousands)

Included in these financial statements are various related party transactions, substantially all of which are with SaskPower. NorthPoint also has a variety of other transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to NorthPoint by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2005	2004
Due from SaskPower	**$ 2,245**	$ 1,359
Dividend payable to SaskPower	**11,060**	6,189
Revenue	**7,244**	6,606
Electricity expenses	**9**	–
Administration expenses	**3,669**	3,192

7. Financial Risk Management

Foreign Exchange Risk

By virtue of its operations, NorthPoint is exposed to changes in the United States/Canadian dollar exchange rate. NorthPoint purchases electricity from and sells electricity to the United States market and must recognize translation gains and losses based on the exchange rate in effect at the transaction date. NorthPoint does not utilize financial instruments to manage its foreign exchange risk.

Credit Risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of counter-parties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. For the year ended December 31, 2005, sales to four significant customers comprised 92% (2004 – two significant customers comprised 77%) of electricity revenue. At year-end, receivables from three customers comprised 74% (2004 - two customers comprised 54%) of total outstanding receivables. These amounts have been subsequently paid. NorthPoint maintains strict credit policies and limits in respect to counterparties.

8. Commitments (in thousands)

At year-end, NorthPoint was committed to 2006 sales of $9,402 (2005 – $nil) and 2006 purchases of $12,095 (2005 – $874). These forward sales had a fair value of $9,860 (2005 – $nil), and the forward purchases had a fair value of $11,880 (2005 – $1,181).

NorthPoint has issued letters of credit in the amount of $3,250 (2004 – $3,250).

9. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

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